

Is time-variant information stickiness state-dependent?

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Abstract This paper estimates information stickiness with regard to inflation expectations in the United States and the Eurozone for the 1981/06–2015/12 and 1998/Q4–2015/Q2 periods, respectively, and further investigates whether such information stickiness is state-dependent. Based on a bootstrap sub-sample rolling-window estimation, we find that information stickiness varies over time, which contradicts the strict time dependency implied under sticky-information theory. We provide evidence that information stickiness depends on inflation volatility, which indicates that information stickiness is state-dependent and that it has a time trend. Using a threshold model, we estimate structural changes in the state-dependence and time-trend of information stickiness. The results show that information stickiness has been more dependent on inflation volatility and has had a higher time-trend in both regions following the 2008 financial crisis.

Keywords Information stickiness · Inflation expectations · State dependence

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